TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 838 - HB 939

March 18, 2021

SUMMARY OF BILL: Requires the basic health plan, beginning in the 2022 plan year, to establish an alternate allowable charges schedule that allows an enrollee to utilize the services of any licensed medical provider in the United States without being penalized with out-of-network cost sharing charges except as provided in the alternate allowable charges schedule.

The maximum allowable charges schedule must be the Medicare payment schedule plus 60 percent of the Medicare reimbursement rate for the service provided for facility fees, and the Medicare payment schedule plus 25 percent of the Medicare reimbursement rate for the service provided for medical provider charges. If there is no Medicare payment rate for a particular service, then the allowable charges schedule for that particular service is 40 percent of the cost of the service provided.

Further requires the basic health plan to be modified to have a preferred tier and a non-preferred tier. Requires providers who agree to accept charges below the maximum allowable charges be in the preferred tier, and the preferred tier must have lower cost sharing for the employee.

Requires providers in the non-preferred tier be providers who have not agreed to accept charges below the maximum plan allowable, and the non-preferred tier must have higher cost sharing for the employees utilizing those providers.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures – $10,494,700/FY21-22
$20,989,400/FY22-23 and Subsequent Years

Decrease Federal Expenditures – $1,025,300/FY21-22
$2,050,600/FY22-23 and Subsequent Years

Assumptions:

- Benefits Administration previously consulted with its contracted qualified independent actuary to determine a fiscal impact for the proposed legislation, resulting in an estimate of a $28,800,000 savings on total claims. Fiscal Review Committee staff is unable to verify the validity of this number.

- The proposed legislation will require Benefits Administration to amend current contracts or procure new ones. These changes will impact state plan contracts beginning January 1, 2022.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of $23,040,000 ($28,800,000 x 80.0%) in FY22-23 and subsequent years. Due to the January 1, 2022 effective date, the increase in state expenditures for the State Plan is estimated to be $11,520,000 ($23,040,000 x 50.0%) in FY21-22.
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 8.9 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be $2,050,560 ($23,040,000 x 8.9%) in FY22-23 and subsequent years. Due to the January 1, 2022 effective date, the increase in federal expenditures for the State Plan is estimated to be $1,025,280 ($2,050,560 x 50.0%) in FY21-22.
- The total decrease in state expenditures is estimated to be $10,494,720 ($11,520,000 - $1,025,280) in FY21-22.
- The total decrease in state expenditures is estimated to be $20,989,440 ($23,040,000 - $2,050,560) in FY22-23 and subsequent years.

IMPACT TO COMMERCE:

Other Commerce Impact – Health insurance companies will experience a net decrease in expenditures of an unquantifiable amount. Health providers will realize an impact to business revenue, but any decreases are assumed to be offset by increases paid by enrollees. An exact impact cannot reasonably be determined.

Assumptions:

- Any decrease in revenue for healthcare providers received from insurers will be recovered by payments from members utilizing their services. The net impact on providers is estimated to be not significant.
- Healthcare insurers will realize a decrease in expenditures associated with reimbursement for in-network providers. Such decrease in expenditures will be partially offset by an increase in expenditures for increased reimbursements for out-of-network providers. Due to multiple unknown variables the net decrease in expenditures cannot be quantified with reasonable certainty.
- Any impact on jobs in this state will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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